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SUBJECT: SLOVAK CABINET MOVES TO UNDERMINE ANTITRUST OVERSIGHT

REF: BRATISLAVA 464

¶1. (U) In a move that would strip the Slovak government's Antitrust Office of its oversight authority over recent consolidation in the health insurance industry, the cabinet approved this week an amendment to the Health Insurance law that will finalize the merger of two large state-owned insurance companies. The parliament has agreed to fast-track this legislation, which would render moot an ongoing antitrust review begun in July. The newly merged company will have 3.65 million policy holders, or about two-thirds of a Slovak market that will soon be served by only three health insurers.

¶2. (SBU) This move is the latest in what appears to be a growing trend in which the Slovak government uses expedited legislation to change or circumvent the laws regulating business in ad hoc responses to specific cases. Due to the opacity of the process by which the cabinet drafts laws, fast-tracked legislation is little-debated and often passed into law before the public is aware of what is happening. The recent and much criticized Strategic Enterprise Law (reftel) was largely an effort to prevent the closure of a large chemical factory employing 1500 workers, although it sparked intense controversy when business interests realized that it could have a much broader application.

¶3. (U) Other similar cases include expedited legislation to change corporate governance rules in a successful effort to prevent the partially privatized natural gas monopoly from raising prices, and changing the law on payment of dividends in order to prevent foreign-owned health insurance companies from repatriating their profits. This latter law has been challenged in a UN-affiliated arbitration court, and the European Commission has separately begun an inquiry.

¶4. (SBU) COMMENT: This sort of non-transparent and ad hoc regulatory change is enabled by PM Robert Fico's firm control over the Slovak parliament--with characteristic understatement he recently described his Smer party as enjoying a "dominant" position in Slovak politics. Such control allows Fico to use the parliament when it suits him to circumvent slower-moving or more independent government bodies and to step outside--or, more precisely, to change--the government's legal framework according to the exigencies of the moment.

EDDINS